

Continuing Education

Presented by Mike & Rachel Porter

Sponsored by:



The Baker Firm
Fidelity National Title
850 E. State Highway 114, Suite 200 Southlake, Tx. 76092



RED DIAMOND
— HOME LOANS —



Technology & The Loan Process

How can we streamline the loan process via technology to benefit borrowers?

Search Engines & Social Media → Your Website

Ninety percent of consumers now start their real estate journeys on the Web, according to the National Association of Realtors, while **85%** of buyers used a mobile device during the home buying process.

Your Online Presence



By utilizing search engine optimization (SEO) and relevant content, your website can be a major draw for clients and internet traffic.

Your website should be a professional reflection of your business with featuring listings, search options, and personalized content.

Important aspects of a modern real estate website design:

- Mobile/smart phone friendly
- Clean and modern design
- Featured Listings
- Effective Search functions
- High quality images
- Potential for lead generation





Let Me Help You Find the Home of Your Dreams

Search Now

Home Page: Demo Website

Modern design, unique search capability, and fully customizable



maxwell

Send clients from your website directly to the Mortgage Loan Application (Form 1003)

Our online platform, Maxwell, is a simple and secure interface for borrowers to utilize from application to closing documents.

You (the Real Estate Agent) will be notified of important events throughout the process such as appraisal ordered and received, clear to close approval, and when closing disclosures are sent.

We will regularly update the tasks with necessary documentation, guiding the borrower with specific instructions every step of the way.

Both the Loan Estimate (LE) and Closing Disclosure (CD) can be sent and signed electronically for speed and efficiency at the beginning and end of the loan process.

Maxwell is available on mobile and sends regular email reminders to borrowers requesting necessary documentation. This will increase speed, efficiency, and save everyone time in the loan process.

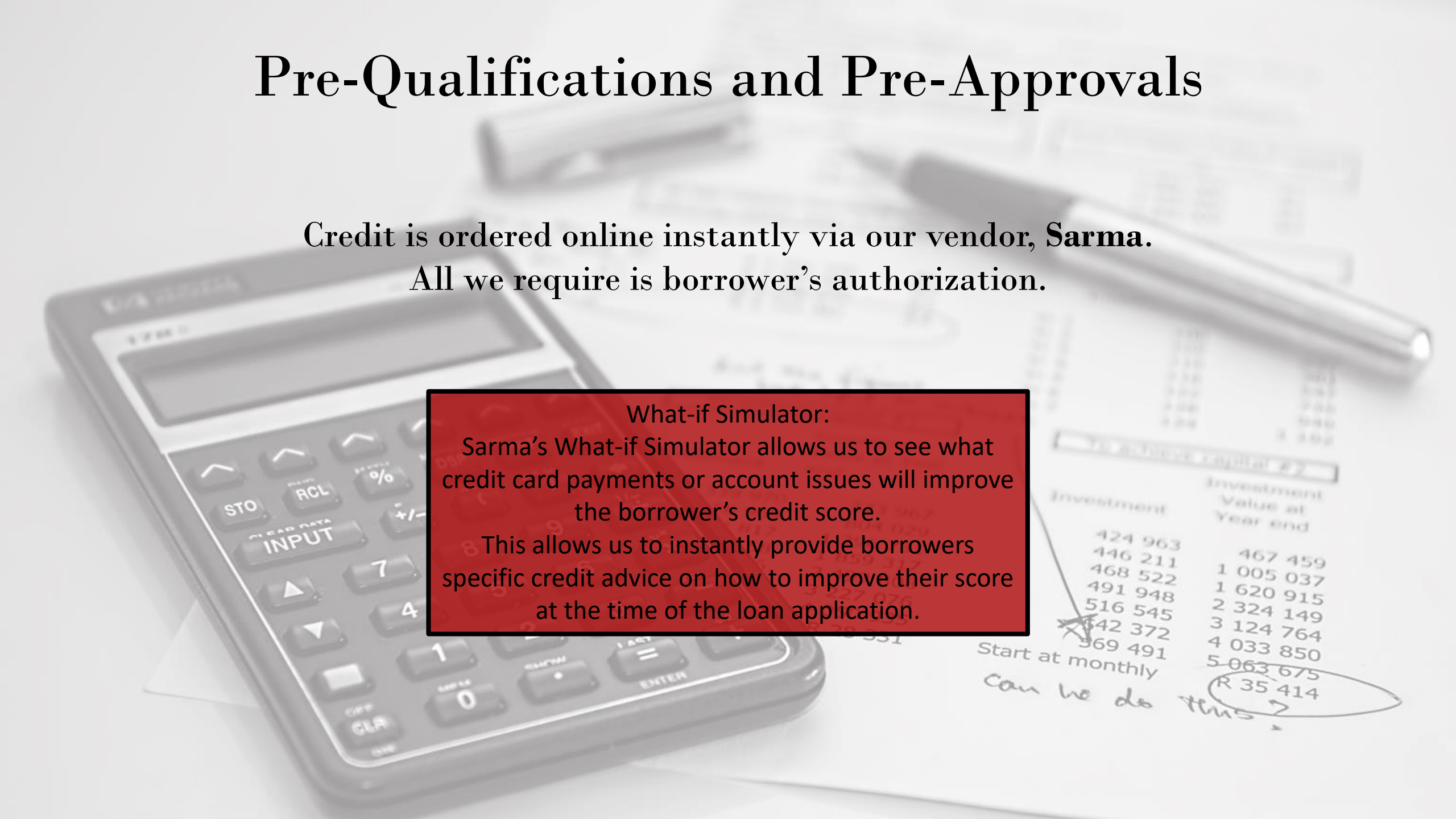
Pre-Qualifications and Pre-Approvals

Credit is ordered online instantly via our vendor, **Sarma**.
All we require is borrower's authorization.

What-if Simulator:

Sarma's What-if Simulator allows us to see what credit card payments or account issues will improve the borrower's credit score.

This allows us to instantly provide borrowers specific credit advice on how to improve their score at the time of the loan application.



The background image shows a calculator, a pen, and a document. The document contains a table with two columns: 'Investment' and 'Investment Value at Year end'. The values in the 'Investment' column range from 424,963 to 569,491. The values in the 'Investment Value at Year end' column range from 467,459 to 5,063,675. A handwritten note 'Start at monthly' is written below the table. A circled value 'R 35 414' is also present, with a handwritten note 'Can we do this?' pointing to it.

Investment	Investment Value at Year end
424 963	467 459
446 211	1 005 037
468 522	1 620 915
491 948	2 324 149
516 545	3 124 764
542 372	4 033 850
569 491	5 063 675

Start at monthly

Can we do this? R 35 414



Electronic Signatures

Our online programs **Ink-it** and **DocuSign** allow our borrowers to sign the Initial Disclosures, Loan Estimate, and Closing Disclosures online via computer or even mobile phone. This improves the speed and convenience of transactions.

Desktop Originator: Fannie Mae's Automated Underwriting System



Desktop Originator/Desktop Underwriter (DU) is the automated system we use to analyze the likelihood of the specific loan to be approved/eligible or ineligible under Fannie Mae Guidelines.

After the initial application and pulling credit, DU is a crucial step to Pre-Approving any borrower.

This program can also help us determine the purchase price a borrower may qualify for, and outlines specific findings such as risk, potential red flags, conditions, and observations.





CALYX SOFTWARE®

Loan application
Transmittal Summary
FHA/VA Addendums
Fees Worksheet
Loan Estimate
Service Providers List
Anti-Steering Disclosures
HOEPA Homeownership Counseling
4506-T
SSA-89
Closing Costs Worksheet
Closing Disclosure
VA Loan Analysis
VA Loan Summary
VOE

File Edit Marketing Forms LoanFile Venis Track Banker Lenders Services Interfaces Bor/Co-Bor Utilities Window Help

Navigation Panel **Sample, Bor A | Borrower Information**

Loans

Sample, Bor A

Borrower Information

Borrower

Name First Middle Last Suffix
 SSN 111-11-1111 DOB 05/03/1955

Co-Borrower Copy from Borrower
 Name First Middle Last Suffix
 SSN DOB

Best Contact
 H Phone 702-966-5000 B Phone
 Cell/Fax Fee
 E-Mail

Present Address Own Rent No of Yrs 7.33
 Street 1460 Paseo San Luis
 City Sierra Vista State AZ Zip 85635
 Country United States

Subject Property Copy from Present Address
 Street 4353 Firenze Dr
 City Las Vegas State NV Zip 89120
 Country Clark

Loan Summary
 Loan Program
 CC Screens
 Origator Lenny LoanOfficer
 Processor Angela Servino

Income Details
 Base Inc Borrower 5,000.00 Co-Borrower Total 5,000.00
 Other Inc
 Overtime

Best Contact
 H Phone
 Cell/Fax
 E-Mail

Present Address Own Rent No of Yrs
 Street
 City State Zip
 Country United States

Credit Scores
 Experian/FICO 700
 TransUnion/Equifax 700
 Equifax/BEACON 710
 Mianruan FICO

Note Rate 4.500 % Term/Due 360 / 360 mths

Appr Value 200,000 LTV 96.506 %
 Sales Price 200,000 CLTV 96.506 %
 Down Pmt 3,500.00 Inc 39,547 %
 Loan Amt 193,000 Bottom 90.247 %
 w/ MIP - FF 193,000
 FHA Max Loan
 Monthly Payment 977.90

Expenses
 Full Mgt 977.90
 Other Fns 662.64
 Interest 182.59

Other Obligations
 \$ 152.00
 \$ 182.59
 \$ 301.00

Information Bar
 Current Status
 Clock Drawn 04/16/2012
 Lenn First
 Top/Bottom 39,547 / 50,247%
 LTV/CLTV 96.506 / 96.506%
 Gross LTV 97%
 Rounded CLTV 97%
 Est. Close 05/01/2012
 Lock Exp
 Loan Amt 193,000
 Int/Dual Rate 4.500 / %
 Term/Due 360 / 360
 Payment 977.90

Loan Checklist
 [X] [] Dup Item
 [] [] Credit Report
 [] [] Preliminary Title
 [] [] Appraisal Report
 [] [] Flood Certification
 [X] [] Closing Documents
 [] [] Lock USMIL
 [] [] Evidence of Insurance
 [] [] Title Fees
 [] [] Borrower Authorization
 [] [] Walk Date
 [] [] Conversation Log
 [] [] All Findings
 [] [] 100% complete signed
 [] [] Photo ID / SS Card
 [] [] CISA / LIP
 [] [] CAVRS
 [] [] FHA Case Number
 [] [] Disclosure / BE Schedule
 [] [] ---INCOME---
 [] [] Paystubs / LES cover
 [] [] 2 yr W-2s, 1099s, etc
 [] [] Lease Agreements
 [] [] 2 mos Bank Statements
 [] [] Sales Contract Fully

Tasks
 Reports & Marketing
 Templates

Personal Info Contact Info Mgt Insurance Sub Financing Investment Keep open

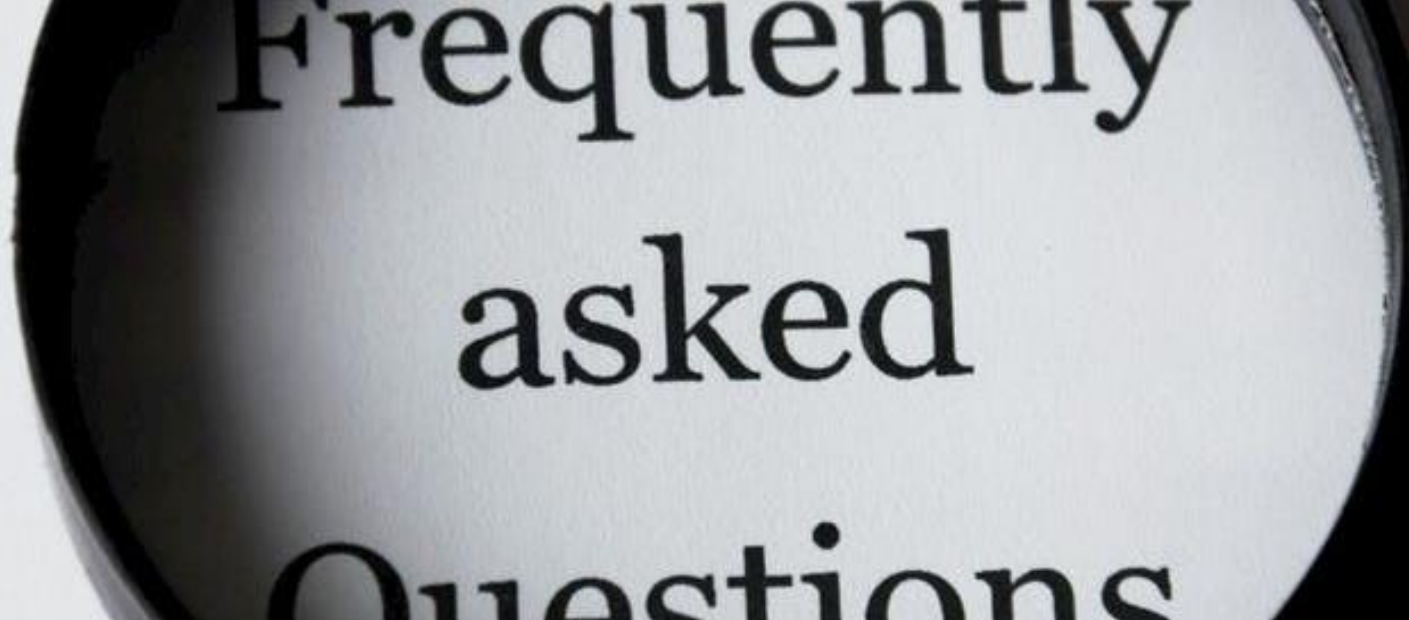
& finally, everyone's favorite place:

The Closing Table



Thank you!





Frequently asked Questions

What is the difference between a Pre-Qualification, Conditional Approval, Pre-Approval, Initial Underwriting Approval, Final Approval and Clear to Close?

- Conditional approval/Pre-Qualification – Red Diamond can provide this in a few hours.
- What can go wrong: Income turns out different than the borrower provided. The client does not have the cash to close. There was declining income.
- Initial Underwriting approval: The clients initial documentation has been reviewed by the underwriter.
- Final Approval & Clear to Close: All required docs are approved and signed off on!



Who provides the underwriting guidelines for Mortgage loans:

Who are these entities and what do they do?

- Fannie Mae & Freddie Mac
- FHA
- VA
- Non QM – What are the options?

“The risk is transferred to these entities because the file was underwritten to their guidelines.”

The logo for Experian, featuring the word "experian" in a dark blue, serif font. A red diagonal line is positioned above the letter 'i'.The logo for TransUnion, featuring the word "TransUnion" in a green, sans-serif font. Above the text is a graphic of a stylized, upward-pointing arrow composed of a grid of small dots.The logo for Equifax, featuring the word "EQUIFAX" in a bold, red, sans-serif font.

The 4 C's – let's discuss at a high level

- Credit – Minimum credit score
- Capacity – Debt to income ratio (the ability to repay the loan)
- Capital – Down payment/cash to close
- Collateral – Appraisal

“Only 4 critical issues to close a home loan. “



Data and documents are transformed into a closed loan.

- Documentation Validation – 4 C’s again:
 - Credit: Minimum credit score for program requirements (Mid Fico of both borrowers) LLPA’s?
 - Capacity: Income documentation for debt to income calculation (W-2’s, Tax Returns, K-1’s)
 - Capital: Asset documentation (Bank Statements) for down payment and reserve requirements
 - Collateral: The appraisal must meet underwriting requirements

Table 1: All Eligible Mortgages – LLPA by Credit Score/LTV Ratio

Representative Credit Score	LTV Range								
	Applicable for all mortgages with terms greater than 15 years								
	≤ 60.00%	60.01 – 70.00%	70.01 – 75.00%	75.01 – 80.00%	80.01 – 85.00%	85.01 – 90.00%	90.01 – 95.00%	95.01 – 97.00%	SFC
≥ 740	0.000%	0.250%	0.250%	0.500%	0.250%	0.250%	0.250%	0.750%	N/A
720 – 739	0.000%	0.250%	0.500%	0.750%	0.500%	0.500%	0.500%	1.000%	N/A
700 – 719	0.000%	0.500%	1.000%	1.250%	1.000%	1.000%	1.000%	1.500%	N/A
680 – 699	0.000%	0.500%	1.250%	1.750%	1.500%	1.250%	1.250%	1.500%	N/A
660 – 679	0.000%	1.000%	2.250%	2.750%	2.750%	2.250%	2.250%	2.250%	N/A
640 – 659	0.500%	1.250%	2.750%	3.000%	3.250%	2.750%	2.750%	2.750%	N/A
620 – 639	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.500%	N/A
< 620 ⁽¹⁾	0.500%	1.500%	3.000%	3.000%	3.250%	3.250%	3.250%	3.750%	N/A

(1) A minimum required credit score of 620 generally applies to all mortgage loans delivered to Fannie Mae; refer to the *Selling Guide* and the *Eligibility Matrix* for additional detail.

The 4-C's by Loan Type

Breaking it down:



4 C's and Conventional Loans:

- Minimum credit score is 620 (no exceptions)
- Max debt to income roughly 45
- Down payment can be a minimum of 3% but most common minimum is 5%
- Appraisal standards are set by Fannie Mae. They purchase owner occupied and non owner occupied properties.

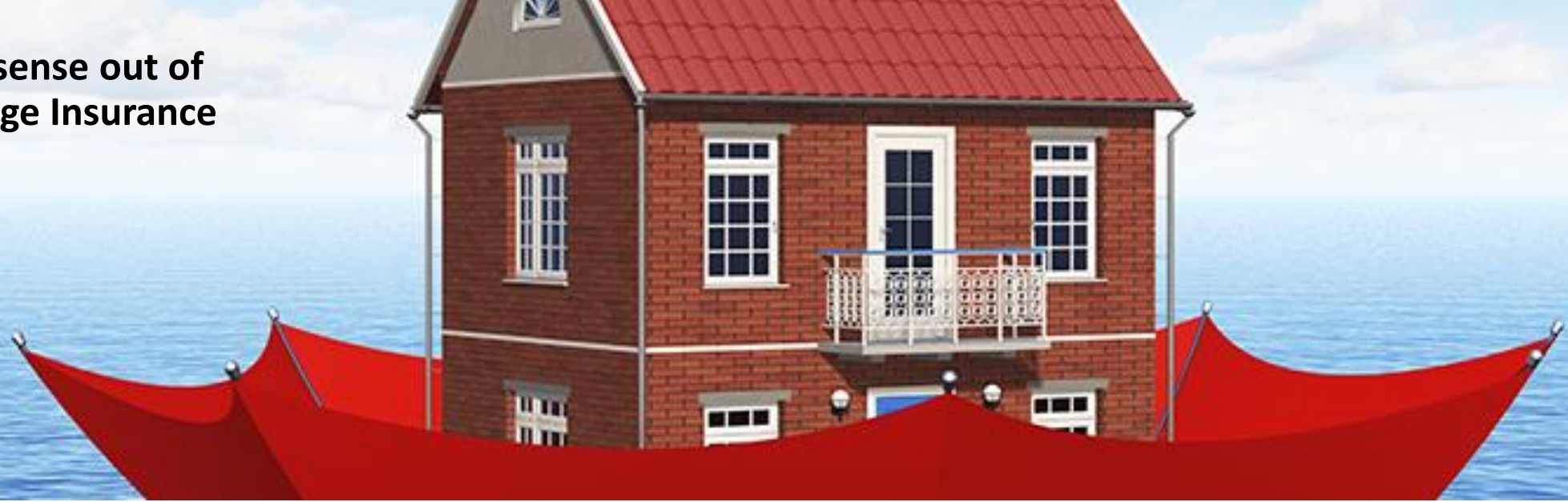
4-C's and FHA Loans:

- Minimum score is 580
- Maximum debt to income is 50%
- Down payment is 3.5%
- Appraisals are completed by FHA approved appraisers.

4 C's and VA Loans:

- Typical minimum of a 620 score.
- Maximum debt to income can be as high as 55%.
- There typically is not a down payment requirement except on higher balance VA loans over \$453,100.
- Appraisals are completed by VA approved appraisers.

Make sense out of Mortgage Insurance



PMI, MIP, VA Funding Fee?

- What's up with all of this?
- Guarantee's the investor on the loan against loss...does not repair the property.
- Private Mortgage Insurance insures conventional loans and jumbo loans
- Mortgage Insurance Premiums insure FHA loans
- VA utilizes a VA Funding Fee to guaranty their loans

High credit scores have a low cost of PMI, The higher the LTV the higher the PMI cost.

MIP does not factor in the credit score.

VA does not factor in the credit score

RED DIAMOND HOME LOANS

165 S. Kimball Avenue, Suite 100, Southlake, TX 76092

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 1/1/2017
APPLICANTS Borrower, Unknown

PROPERTY TBD

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE Conventional FHA VA _____
LOAN ID #
RATE LOCK NO YES, until
Before closing, your interest rate, points, and lender credits can

Home Loan Manufacturing Steps:

Initial Documentation Required:

- In 2014 the Loan Estimate and the Closing Disclosure replaced the GFE and the HUD1.
- We are required to send a Loan Estimate within 3 days of the client's application.
- We are required to send a Locked Loan Estimate upon locking the clients loan.
- We are required to send the appraisal to the client and receive their acknowledgement of receipt.
- We are required to send the closing disclosure 3 days prior to closing to be signed by the client.



Manufacturing the loan means putting a complete file together:

- Minimum credit score - Maximum Debt to Income
- Maximum Loan to Value - Loan must be approved by the automated underwriting system
- Two year history required for income -
- 60 days of bank statements required - Most recent 30 days of paystubs
- Tax Returns for Self Employed borrowers

“All of these factors and more go into the loan approval. All situations are different and specific issues will raise other conditions”



Banker vs. Broker: What's the difference?

- The Banker prepares the loan estimate and closing disclosure, the broker does not.
- The Banker orders the appraisal from their own system, the broker does not.
- The Banker funds it's own loans, the broker does not.
- The Banker is responsible for preparing the closing documents, the broker is not.
- The Banker closes the loan in it's own name, the broker does not.
- Summary: A banker controls the full transaction while a broker uses the services of a lender to underwrite, close and fund a transaction.

Loan Pricing Variances



Loan Pricing:

How can there be differences?

Why are their differences?

What is a loan worth?

Different companies sell loans for different values.

Pricing has a company net worth component. A company with no net worth will realize a lower value for their loans...like a brokered loan.

Correspondent loans have higher values.

What is the companies cost to produce the loan?

Why are costs different between some companies?



How fast can we close?



How fast can we close?:

Day 1: Application & Conditional Approval & Receive the Receipted Contract to start the clock, We need to issue preliminary disclosures before we can order the appraisal.

Day 2: Order the appraisal and Open Title with Title Company

Day 3: Receive all borrower documents

Day 4: Submit to underwriting (two days in underwriting)

Day 6: Receive Approval from underwriting

Day 7: Ask for other conditions

Day 8: Appraisal Complete

Day 9: Submit the appraisal back to the underwriter.

Day 10: Clear to Close

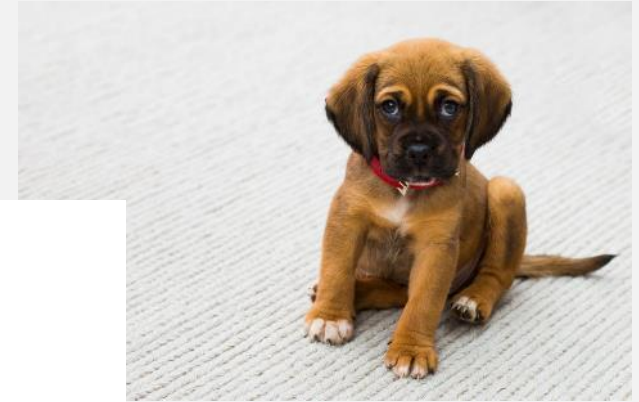
Day 11: Prepare Closing Disclosure

Day 14: Loan Closing

Red Diamond final approved a VA loan in 9 business days!

“This timeline depends upon the client, and their ability to move quickly and provide the documents that we need”

Welcome to textforaquote.com



Text for A Quote:

- ❑ Text Me at 817-832-8452 For a Free Fast No Obligation Mortgage Quote

Please Provide the Following Info:

- ❖ Clients Full Contact Information (Client Name, Cell Phone & Email so We Can Keep Track of All Quotes)
- ❖ Loan Type Preferred (FHA, VA or Conventional Conforming?) Not available for Jumbo or Niche programs.
- ❖ Down Payment Percentage
- ❖ Borrower & Co-Borrower Middle Fico Score

Other Factors:

- ❖ Only Available for Owner Occupied Properties
- ❖ We Will ***NOT*** Pull Credit for This Rate Quote
- ❖ We will pull a full credit report at loan application on all new loans
- ❖ Final loan pricing will be based upon actual Fico scores

This Red Diamond Home Loans option is available for Conventional Conforming, FHA & VA loans only. This offer is not a loan guarantee or a loan approval. Pricing and Rate Quotes are dependent upon the information provided being accurate and not changing. Should the actual information be different we will provide an updated rate quote. A full loan application with a property address is required to lock a loan. Full underwriting is required on all loans. Final loan approval will be required prior to loan closing. Red Diamond will pull an independent credit report to verify all credit information if the client completes a loan application. More info at www.textforaquote.com



www.vahomeloancompany.com

We are working to expand our VA business. VA Loans are great loans for the Veteran and a zero down payment option. We're here to help with those deals. There are \$1.7 million Veterans in Texas, second behind California.

It probably would be good to develop a Realtor based marketing campaign to Veterans!



VA HOME LOAN COMPANY

A DIVISION OF RED DIAMOND HOME LOANS

• *Hey, did you know...*



Now for story time!!

• *Hey, did you know...*



Great Stories...a good way to get to know the business!

- ◇ *LL: 6 different gift letters, some from Macau (The City of Dreams)*
- ◇ *MB: Occupancy questions because of existing rental properties*
- ◇ *NOO Purchase by 85 year old for his daughter (Why NOO?)*
- ◇ *VA Loan: Borrower deployed to Kosovo, Need a POA., has to have original signatures, does mail service work from Kosovo? Also, a non-purchasing spouse, most won't accept a POA.*
- ◇ *Doctor relocation with employment agreement – New contract does not provide for guaranteed income (can't be used for a Fannie Mae loan.)*
- ◇ *Client with capital gains income – must have a 3 years history of capital gains...very unusual to have consistent capital gains.*
- ◇ *Hurricane impacts: Need a POA because of the hurricane right before closing*
- ◇ *Non-resident alien loans – need to have a current/updated visa even if they have resided in the US for many years.*

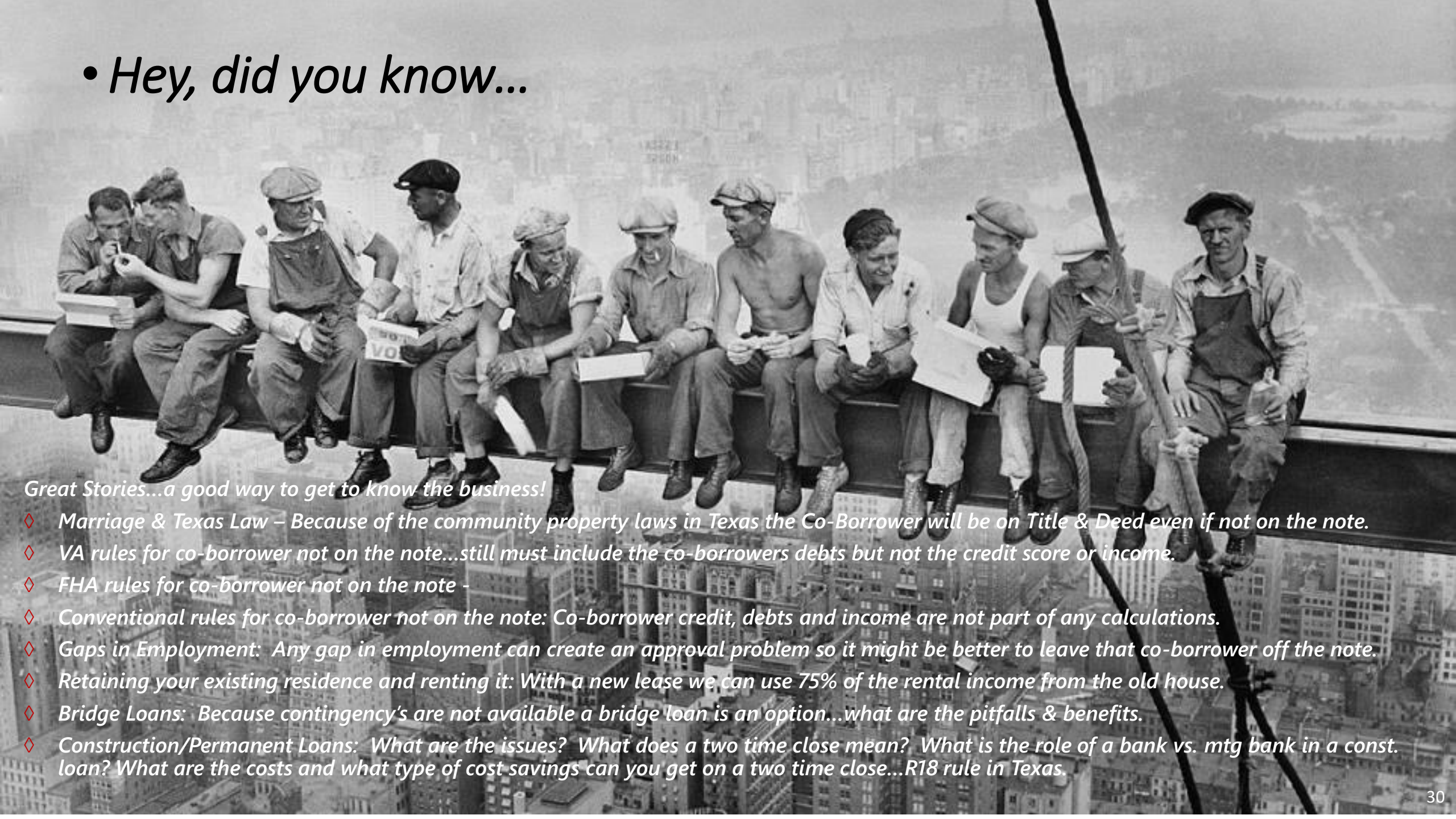
• *Hey, did you know...*



Great Stories...a good way to get to know the business!

- ◇ *Expat Lending: With no established US credit you can't sell a loan to Fannie Mae or FHA. Must be a private investor.*
- ◇ *Expat: All foreign documents must be translated into English by a US translating company.*
- ◇ *Expat: Full qualifying with US income is required. No credit in the US is okay. Asset for closing must be transferred to a US financial institution.*
- ◇ *Credit Counseling/clean up for Jumbo's: Jumbo credit scores are much higher...typically a 700 minimum. Need to clear up any credit problems.*
- ◇ *Client working overseas – can use electronic signatures for preliminary docs but must have a valid POA or live signatures at closing.*
- ◇ *Multiple Investment Properties – no problem up to a certain # of units...typically a max of 4 NOO & 1 OO properties.*
- ◇ *Divorce – Need the full divorce decree to include all debt obligations.*
- ◇ *New Construction – building a new home larger/more expensive than the comparable properties will create appraisal problems.*
- ◇ *Borrower with a low score – can be removed to avoid the hit on the low score but the income will be removed from the deal.*

• *Hey, did you know...*



Great Stories...a good way to get to know the business!

- ◇ *Marriage & Texas Law – Because of the community property laws in Texas the Co-Borrower will be on Title & Deed even if not on the note.*
- ◇ *VA rules for co-borrower not on the note...still must include the co-borrowers debts but not the credit score or income.*
- ◇ *FHA rules for co-borrower not on the note –*
- ◇ *Conventional rules for co-borrower not on the note: Co-borrower credit, debts and income are not part of any calculations.*
- ◇ *Gaps in Employment: Any gap in employment can create an approval problem so it might be better to leave that co-borrower off the note.*
- ◇ *Retaining your existing residence and renting it: With a new lease we can use 75% of the rental income from the old house.*
- ◇ *Bridge Loans: Because contingency's are not available a bridge loan is an option...what are the pitfalls & benefits.*
- ◇ *Construction/Permanent Loans: What are the issues? What does a two time close mean? What is the role of a bank vs. mtg bank in a const. loan? What are the costs and what type of cost savings can you get on a two time close...R18 rule in Texas.*

• *Hey, did you know...*



Great Stories...a good way to get to know the business!

- ◇ *Relocating to Texas – We closed a Charles Schwab employee on a bridge loan...what happens after that?*
- ◇ *Land to Property Value: what if I want to buy a tear down and build my dream home? How does that work?*
- ◇ *Cash Out Transactions: Why would I do a cash out? What are the rules in Texas? What are the costs?*
- ◇ *Credit Problems: How can I get my credit cleaned up?*
- ◇ *Mortgage Insurance: When does PMI drop off my loan?*
- ◇ *VA Purchase for a non-married borrower – great story...what are the issues – “My fiancé wants to get married...???”*
- ◇ *How fast can I close? We can get a clear to close in 8 days! With a client that has all his docs in order!*
- ◇ *How can my client get a quick quote? We have a TEXTFORAQUOTE.COM Site. Text me and get a rate quote in return!*
- ◇ *Why are rates different? I want to get the best deal for myself and my clients...how do I do that?*